

Message Text

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ACTION EUR-12

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DEPARTMENT PLEASE PASS COMMERCE AND EXIMBANK

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TAGS: ENRG, GR
SUBJECT: GOG REVISES ITS ENERGY/POWER POLICY; NOW PLANS TO BUY
OIL-FIRED UNIT FROM THE USSR

REF: (A) ATHENS 2135, (B) 77 ATHENS 2243, (C) ATHENS 4651,
(D) 77 ATHENS 905, (E) 77 ATHENS 4097

1. BEGIN SUMMARY: COORDINATION MINISTER MITSOTAKIS ANNOUNCED
RECENTLY THAT THE GOG IS REVIEWING ITS ENERGY POLICY. THE FIRST
INDICATION THAT THE GOVERNMENT MAY, IN FACT, BE REASSESSING
ITS CURRENT EMPHASIS ON UTILIZING LOCAL ENERGY RESOURCES
(ESSENTIALLY LIGNITE AND HYDRO) AND REDUCING DEPENDENCE ON
IMPORTED OIL WAS MITSOTAKIS' CONCURRENT ANNOUNCEMENT THAT THE GOG
PLANS TO INSTALL A 300 MEGAWATT OIL-FIRED UNIT AT LAVRION AND WILL
AWARD THE CONTRACT TO THE SOVIET UNION WITHOUT TENDER. PPC
DIRECTOR ANGELOPOULOS SUBSEQUENTLY DENIED TO EMBASSY OFFICERS ANY
RADICAL CHANGE IN GOG ENERGY POLICY, BUT DID ACKNOWLEDGE THAT
THE ENERGY PLAN WOULD SOON BE REVIEWED BY A MINISTERIAL COMMITTEE
UNDER THE CHAIRMANSHIP OF THE PRIME MINISTER. IN RESPONSE TO
EMBASSY OFFICERS' QUESTION WHETHER BIDDING ON LAVRION PLANT WAS
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STILL OPEN TO INTERESTED U.S. FIRMS OR ALREADY AWARDED TO USSR,
ANGELOPOULOS SAID THAT MATTER RESTED WITH MINISTRY OF COORDINATION.
END SUMMARY.

2. MITSOTAKIS' STATEMENTS WERE IN RESPONSE TO PASOK CHARGES THAT
THE GOVERNMENT HAD ARBITRARILY CANCELLED LAST MAY A PPC TENDER FOR
MEGALOPOLIS IV, A 300 MEGAWATT LIGNITE-BURNING UNIT, ON WHICH BOTH

A CONSORTIUM LED BY THE GERMAN FIRM KWU AND MITSUBISHI HAD BID. MITSOTAKIS STATED THAT THE TENDER WAS CANCELLED BECAUSE THE PPC BOARD UNANIMOUSLY CONCLUDED THAT THE PRICES OFFERED WERE TOO HIGH AND IT WAS NOT CLEAR WHICH FIRM HAD IN FACT BEEN THE LOW BIDDER. HE ADDED THAT THE MEGALOPOLIS IV UNIT HAD NOT BEEN ABANDONED BUT MERELY POSTPONED AND THAT A NEW TENDER FOR THE PROJECT, TO BE OFFERED SOME TIME IN THE FUTURE, WOULD RESULT IN MORE ADVANTAGEOUS BIDS. THE DECISION TO MOVE NOW TO AN ALTERNATIVE 300 MEGAWATT OIL-FIRED UNIT FOR LAVRION, HE EXPLAINED, WAS BASED ON THE ACT THAT IT WOULD COST ONE THIRD THAT OF A LIGNITE GENERATOR AND COULD BE PAID FOR PARTIALLY BY BARTERING AGRICULTURAL COMMODITIES. MOREOVER, IT WOULD COME ON STREAM ONE YEAR EARLIER THAN MEGALOPOLIS IV, AN IMPORTANT CONSIDERATION IN VIEW OF ANTICIPATED POWER DEMANDS BY 1982.

3. PRESS REPORTS QUOTE MITSOTAKIS AS STATING THAT GREECE MUST PRESERVE ITS DOMESTIC ENERGY RESOURCES AS A HEDGE AGAINST ANTICIPATED OIL SHORTAGES AND PRICE INCREASES IN THE FUTURE. THEREFORE, THE GOG IS REVIEWING THE NATIONAL ENERGY PROGRAM FOR THE NEXT 30 YEARS; AND WHEN THE REVIEW IS COMPLETED, IT WILL BE PRESENTED TO PARLIAMENT FOR PUBLIC SCRUTINY AND DEBATE. THE COORDINATION MINISTER'S STATEMENTS, HOWEVER, IMPLY A REVERSAL OF GOG ENERGY POLICY DEVELOPED IN THE WAKE OF THE OIL CRISIS, WHICH CALLED FOR MAXIMIZING UTILIZATION OF LOCAL ENERGY RESOURCES AND REDUCING DEPENDENCE ON IMPORTED OIL. (PPC'S CURRENT TEN-YEAR DEVELOPMENT PLAN DOES NOT INCLUDE ANY OIL-FIRED UNITS.)
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4. ON JULY 21, ECON COUNSELOR AND OTHER EMBASSY OFFICERS CALLED ON PPC DIRECTOR ANGELOPOULOS ON BEHALF OF A GROUP OF U.S. FIRMS WHICH HAS EXPRESSED INTEREST IN BIDDING ON LAVRION PROJECT (UNITED ENGINEERS, BABCOCK AND WILCOX, AND WESTINGHOUSE). ANGELOPOULOS PROFESSED IGNORANCE ABOUT THE EXACT STATUS OF REPORTED AWARD TO THE SOVIET UNION AND SAID THAT THE INQUIRY SHOULD MORE PROPERLY BE DIRECTED TO MINISTER OF COORDINATION MITSOTAKIS. ON RELATED MATTERS, PPC DIRECTOR SAID THAT WHILE PRESS REPORTS IMPLYING A SIGNIFICANT CHANGE IN GOG ENERGY POLICY WERE OVERSTATED, IT WAS TRUE THAT MINISTERIAL COMMITTEE UNDER THE CHAIRMANSHIP OF PRIME MINISTER WOULD SOON REVIEW THE ENERGY PLAN. HE CONFIRMED MITSOTAKIS' PUBLIC RATIONALE FOR MOVING TO AN OIL-FIRED PLANT (PARA 2 ABOVE), ADDING THAT ADDITIONAL CONSIDERATIONS INCLUDED PROJECTED POWER SHORTFALL IN THE ATTICA REGION BY THE BEGINNING OF THE NEXT DECADE AND THE ADVERSE ENVIRONMENTAL IMPACT OF THE EXISTING KERATSINI PLANT NEAR PIRAEUS, WHICH HE HOPED COULD BE PARTIALLY PHASED OUT WHEN THE NEW LAVRION UNIT COMMENCES OPERATION.

5. COMMENT: THE DECISION TO PURCHASE AN OIL-FIRED UNIT FROM THE SOVIETS COMES AS A SURPRISE BECAUSE WE SEE NO VALID COMMERCIAL

REASONS FOR THE AWARD. THE SOVIETS ENJOY A SURPLUS IN BILATERAL TRADE, MAINLY BECAUSE GREECE IMPORTS LARGE QUANTITIES OF OIL FROM THE USSR, AND ONLY LAST YEAR GREECE AGREED TO PHASE OUT THE CLEARING ACCOUNT (BARTER TRADE AGREEMENT) WITH THE SOVIETS WHICH HAS BEEN REPLACED BY A FREE-CURRENCY-PAYMENTS PROCEDURE. (SEE REF E.) MOREOVER, WE UNDERSTAND THAT PPC OFFICIALS ARE NOT PARTICULARLY HAPPY WITH A SOVIET-BUILT 200 MW OIL-FIRED UNIT CURRENTLY IN OPERATION AT THE KERATSINI POWER STATION. A USSR-LED CONSORTIUM HAS BEEN COMMISSIONED TO INSTALL TWO LIGNITE-BURNING UNITS AT PTOLEMAIS (KARDIA III AND IV) AND THREE HYDRO UNITS (POURNARI I, II AND III) BY 1981, BUT THESE WERE TO COMPENSATE THE RUSSIANS FOR THE CANDELLATION OF PHILIPPI PEAT MOOR POWER PROJECT.

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6. WITH RESPECT TO U.S. COMPANIES' INTEREST IN BIDDING ON THE LAVRION PROJECT, THE CHARGE PLANS TO RAISE THE MATTER WITH MITSOTAKIS NEXT WEEK.
MILLS

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